

**Opening Statement of Chairman Tom Davis
Government Reform Committee Hearing
“Code Yellow: Is the DHS Acquisition Bureaucracy a Formula for Disaster?”**

July 27, 2006, 10 a.m.

No one thought merging twenty-two disparate functions, personnel systems and cultures into the new Department of Homeland Security (DHS) would be quick or easy. But we did expect that by now critical acquisition functions would be well-integrated and well-managed – an efficient engine driving the Department’s evolving mission. Instead, through aggressive oversight, we have uncovered clear evidence of huge cost overruns, chronically lax contract management and preventable vulnerability to waste, abuse and mismanagement.

In a bipartisan staff report provided to Committee Members today, we document large-scale systemic flaws in DHS acquisition management. A fractured purchasing system is hobbling the Department’s ability to meet core missions in border security, emergency management, information sharing and other key areas. In reaching these conclusions, we reviewed over six thousand pages of documentation. Through a formal document request, the Committee obtained copies of audits, reports, and other assessments that cast doubts on contractor cost estimates, billings, accounting and estimating systems, and contract performance. In five separate productions, DHS provided 196 unique oversight documents – 149 of which were prepared by the Defense Contract Audit Agency (DCAA).

Throughout this effort, we worked with the Ranking Member and his staff, and I want to commend my good friend and colleague Mr. Waxman for his persistence and constructive approach. This is a textbook example of bipartisan oversight that gets results.

This Committee has been concerned about DHS acquisition challenges for quite some time, initiating a GAO study as early as December 2003. The subsequent report, released in April 2005, confirmed many of our initial fears about acquisition dysfunction at DHS. GAO found procurement responsibilities scattered throughout the Department, with no clear lines of authority, decision-making or accountability. The lack of trained and skilled acquisition professionals compounded DHS acquisition ills.

An alphabet soup of DHS elements:

- TSA (the Transportation Security Administration),
- CBP (the Customs and Border Protection Bureau),
- ICE (the Immigration and Customs Enforcement Bureau),
- FPS (the Federal Protective Service),
- FEMA (the Federal Emergency Management Agency),
- NDPO (the National Domestic Preparedness Office),

and others – must be supported by an enormous array of goods and services provided under contracts valued at almost \$10 billion per year. DHS buys everything from major information systems, cutting edge technologies, and sophisticated technical support services, to mundane commodities like bottled water and blue roof tarps.

These diverse and complex procurements are supported by a disjointed management structure that does not integrate the acquisition function across the Department under a single official with the responsibility to manage and oversee that multi-billion dollar enterprise.

That lack of overall accountability and control has spawned a sad succession of disastrous acquisitions. A \$104 million TSA contract for training airport screeners tumbled out of control, eventually costing more than \$700 million. Poorly defined requirements resulted in airport bomb-detection machines that continually produce false alarms. Billion dollar technology contracts have yet to deliver basic telecommunications infrastructure to many of our nation's airports. And, as the Katrina Select Committee found, FEMA lacked the scalable contracting and logistics capacity needed in the wake of catastrophic loss. Just last week, GAO concluded a weak control environment exposed the Department to rampant abuse in the use of purchase cards. For want of a final purchase card manual, up to forty-five percent of purchase card transactions during last year's hurricane relief efforts lacked proper authorization.

This morning we will focus on several troubled DHS acquisitions as cautionary tales and guideposts for reforms. What lessons should be gleaned from troubled TSA contracts to assess and hire airport passenger screeners, screen luggage at commercial terminals, and upgrade airport computer networks? What would have improved Customs & Border Patrol contracts for radiation detection equipment, for the Integrated Surveillance Intelligence System (ISIS), or the America's Shield Initiative? We will ask what needs to be done to create a coherent organization within DHS that will facilitate successful management of the essential acquisition function.

DHS has been tasked with critical missions subject to hard deadlines. Addressing our myriad vulnerabilities requires the Department to acquire complex, high-risk, state-of-the-art solutions likely to have problems even under an ideal management structure. With so much at stake, and so little room for error, the size or difficulty of the challenge can be no excuse for a failure to put an effective management structure in place.